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SUMMARY

GENERAL

1. Comment on reorganization of Soviet party and state apparatus (page 3).
2. Burmese UN delegate hints Peiping pressure concerning Chinese Nationalists (page 4).

FAR EAST

3. No early change in Sino-Soviet relations expected (page 4).

SOUTH ASIA

4. Pakistani Army commander threatens war with India over canal waters dispute (page 5).

NEAR EAST - AFRICA

5. Iraqi Defense Minister proposes Middle East defense pact without Egypt (page 6).
6. Comment on Mossadeq's strengthened position (page 6).
7. Jordan may abrogate its Mount Scopus agreements with Israel (page 7).
8. Egypt sets conditions for dropping threat of West German boycott (page 7).

EASTERN EUROPE

9. Tito predicts weakened Soviet regime and sees possibility of Satellite defection (page 8).

WESTERN EUROPE

25X1

[REDACTED]

11. French Premier to seek funds for Indochina on US visit (page 9).

25X1

[REDACTED]

13. Danes accept NATO "guidance" in examination of MIG-15 (page 11).

LATIN AMERICA

14. American copper companies face new difficulties in Chile (page 11).

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GENERAL

1. Comment on reorganization of Soviet party and state apparatus:

Moscow Radio announced on 6 March a thorough shake-up in Communist party and government positions. The new appointments were made by joint decision of the Plenum of the Central Committee of the Communist Party, the USSR Council of Ministers, and the Presidium of the Supreme Soviet. The Presidium of the Communist Party, recently elected at the 19th Party Congress, was reduced from 25 to 10 members with G. M. Malenkov's name leading the list.

Malenkov was named chairman of the Council of Ministers, with Molotov, Beria, Kaganovich and Bulganin named as deputy chairmen. Molotov, Beria and Bulganin also reassume their wartime ministerial positions.

The radio also announced that Voroshilov has replaced Shvernik as Chairman of the Presidium of the Supreme Soviet and that the Supreme Soviet will convene on 17 March.

The reduction of the new party Presidium to 10 members confirms that these few have long been the actual leaders. Only two of them were not members of the old Politburo, and they were deputy chairmen of the Council of Ministers elected to the Presidium following the 19th Party Congress in October.

The reorganization establishes Malenkov as Stalin's successor in the governmental hierarchy. The return of the various members of the old Politburo to ministerial positions which they previously held presents the world with a clear definition of their responsibilities in a time of crisis. Thus the Soviet leaders by presenting a united front behind Malenkov have apparently moved to dispel fears throughout the Communist world and expectations in the West that a crippling struggle for power would follow Stalin's death.

2. Burmese UN delegate hints Peiping pressure concerning Chinese Nationalists:

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Burmese UN delegate Barrington intimated on 3 March to a member of the Secretariat that Communist China had brought some pressure to bear on his government regarding the continued presence in Burma of Chinese Nationalist troops. [REDACTED]

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Comment: Pressure from Peiping may well have been an important factor influencing Burma's decision to take the Nationalist problem before the United Nations. In his recent announcement of the decision, the Burmese Prime Minister promised that his government would keep Communist China apprised of latest developments.

Soviet delegates in the United Nations may be expected to take advantage of the propaganda opportunities provided by this issue, regardless of whether the Burmese introduce it themselves.

FAR EAST

3. No early change in Sino-Soviet relations expected:

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The American Consul General in Hong Kong believes that current developments in Moscow will probably have no immediate effect on Sino-Soviet relations.

He suggests that in the event of a serious political struggle within the Soviet Union, any contender for power

would, in order to gain prestige, attempt to establish himself as an authority on Asian communism in general and Communist China in particular.

Comment: The Chinese Communist leadership is expected to remain faithful to the world Communist movement. The new Soviet leadership, however, may be on trial in Peiping's eyes for sometime to come.

There is no prospect that Mao Tse-tung will attempt to succeed Stalin as world Communist leader. Mao has been recognized, however, as second only to Stalin as an authority on Asian communism, and he will probably seek a larger role in its formulation and direction.

SOUTH ASIA

4. Pakistani Army commander threatens war with India over canal waters dispute:

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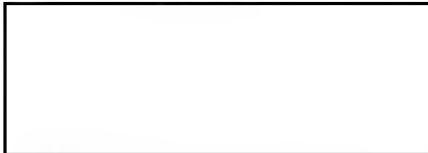
According to the Indian Deputy High Commissioner in Lahore, General Ayub Khan, Commander in Chief of the Pakistani Army, approached him at a social function and threatened India with war if that country withheld water from Pakistani canals during the next planting season. A portion of the conversation was overheard by an officer of the American Consulate General.

Both the Indian Deputy High Commissioner and the American Consul General are alarmed over the incident because General Ayub is considered a strong stabilizing force restraining Pakistani politicians from precipitate actions.

Comment: The Pakistani Government is currently wrestling with critical internal problems and is not likely to consider war with India over the canal waters dispute. General Ayub's remarks may merely have been intended to give India the impression that Pakistan views the canal waters problem as serious.

NEAR EAST - AFRICA**5. Iraqi Defense Minister proposes Middle East defense pact without Egypt:**

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Nuri Said, Iraqi elder statesman and Minister of Defense, feels that if an Anglo-Egyptian defense agreement is impossible, Britain should approach Iraq in order to establish a Middle East defense system based on the Arab Collective Security Pact.

Nuri told Sir Brian Robertson, Commander in Chief of British forces in the Middle East, that if this also fails, Iraq and Britain should arrange for common defense on a bilateral basis.

Comment: This is the first Arab suggestion of a Middle East defense system without Egypt. It comes a few days after Turkey advised the Iraqi Foreign Minister that MEDO need not include Egypt. Any development of intra-Arab friction, abetted even slightly by Turkey, places more obstacles in the way of Middle Eastern defense.

6. Comment on Mossadeq's strengthened position:

Prime Minister Mossadeq's latest moves indicate the extent of his victory over the unorganized and indecisive opposition. The conflict between the Prime Minister and his opponents will probably now return to the Majlis, where Mossadeq's National Movement Faction gives him a parliamentary advantage. Mossadeq apparently has escaped the risk of submitting to a vote of confidence by announcing his acceptance of a bill introduced by opposition deputies reaffirming support of the Shah and the Prime Minister.

The replacement of the Iranian Air Force Chief of Staff and other high-ranking officers, plus the arrest of other officers, indicates that Mossadeq is still eliminating military elements suspected of being friendly to the Shah.

Mossadeq's campaign against the Court is strengthened by the departure of Prince Abdor Reza for India and the reported plans of Queen Soraya to leave Iran. The closing of the two Tudeh and three anti-Mossadeq newspapers has for the time being reduced this source of criticism.

The Prime Minister, although weakened by the recent pro-Shah demonstrations, appears to control the situation once more. Further moves to reduce opposition elements can be expected.

7. Jordan may abrogate its Mount Scopus agreements with Israel:

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Jordan may soon attempt to abrogate its Mount Scopus agreements guaranteeing Israel access to the area, which lies in the Jordanian-held sector of Jerusalem.

According to the senior Jordanian representative on the UN Mixed Armistice Commission, his government will treat the Hadassah Hospital and the Hebrew University on Mount Scopus as Jewish private property and will deny that Israel has sovereign rights in the sector.

Comment: Adoption of such a policy by Jordan would bring the recent tensions between the two countries near to a breaking point.

The American Consul General in Jerusalem believes that Jordan will base its policy on security grounds and on the calculation that the Eisenhower administration is favorably disposed toward the Arabs.

8. Egypt sets conditions for dropping threat of West German boycott:

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Egypt has assured the West German Government that the Arabs will not boycott German goods because of Bonn's ratification of the

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Israeli reparations treaty, provided certain declarations are made prior to ratification.

Egypt has asked for a statement that Germany is prepared to send experts to study the Aswan dam project, to send a delegation to other Arab states to investigate their economic needs, and to agree in principle to naming a neutral trustee to observe goods delivered to Israel in order to assure their being non-strategic.

The German Embassy in Cairo considers such a declaration a cheap price to pay for eliminating the threat of a boycott and has urged Bonn to accept the Egyptian suggestion.

Comment: Although Egypt, along with the other Arab League states, has threatened to boycott German goods since the beginning of Israeli-German negotiations, it has done so reluctantly because of the importance of its German trade. As some other Arab states have already privately renounced any intention of carrying out the boycott threat, it is unlikely that any concerted Arab League boycott will be attempted.

EASTERN EUROPE

9. Tito predicts weakened Soviet regime and sees possibility of Satellite defection:

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Tito, who displayed undisguised pleasure over Stalin's death, believes it will result in weakening the USSR's hold over the Satellites and may furnish an opportunity for

Albania to escape Soviet control. He cautions, however, that any successful movement against the present Albanian regime must come from within the country and that outside action would merely strengthen Premier Hoxha's regime and the Albanian fear of Yugoslav or Greek domination.

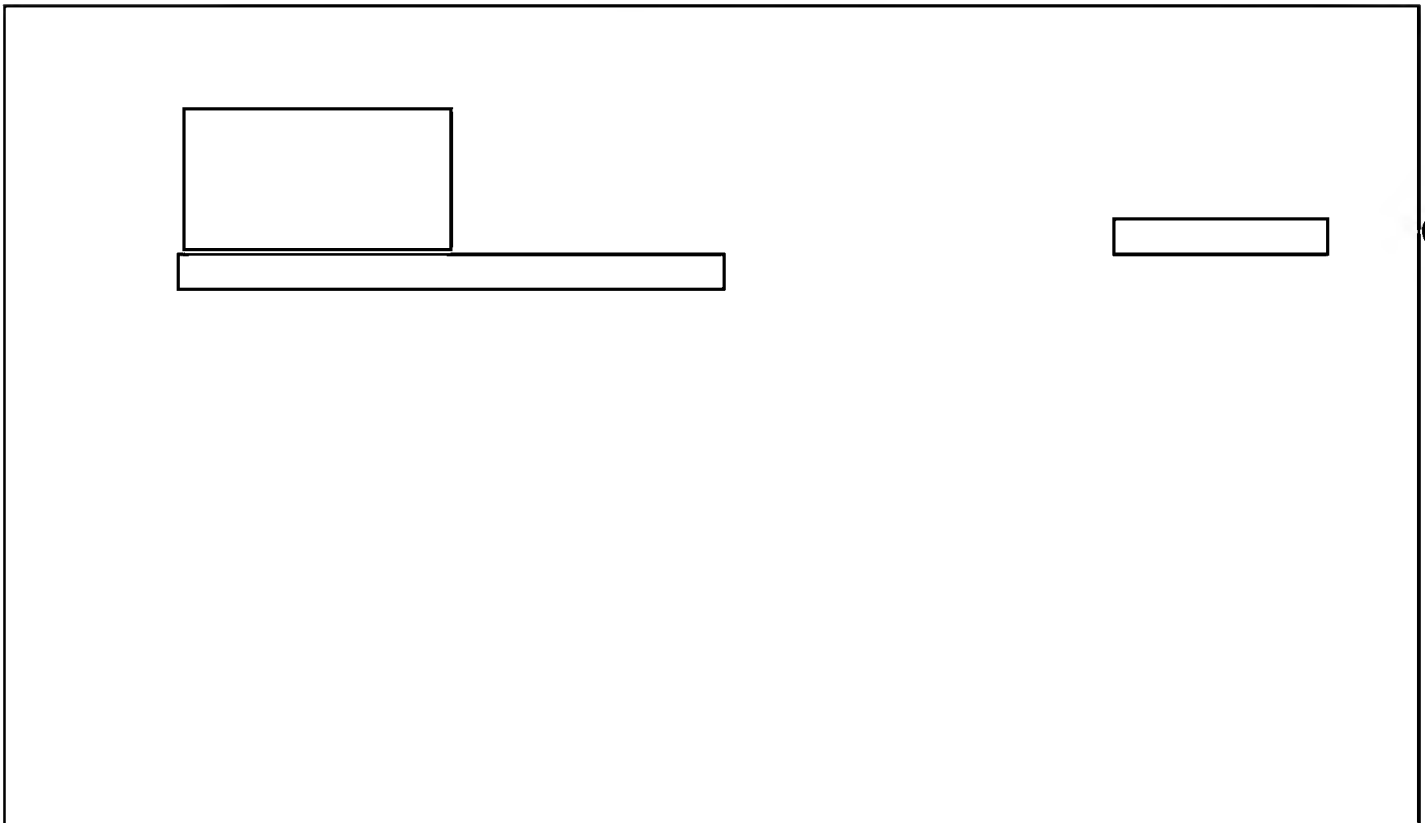
Comment: Recent actions indicate that Yugoslavia would be quick to exploit any lessened Soviet control over

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its Satellite neighbors. Despite Tito's disapproval of outside action, recent developments indicate the Yugoslavs may have already planned increased actions against the Hoxha regime.

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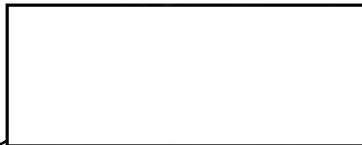
WESTERN EUROPE



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11. French Premier to seek funds for Indochina on US visit:

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According to Deputy French NATO representative Baraduc, the only purpose of French Premier Mayer's prospective visit to Washington is to seek additional American financial aid in Indochina, particularly for the Vietnamese Army.

- 9 -

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Baraduc states that France will accept SHAPE recommendations on NATO commitments if it receives major additional help in Indochina.

Ambassador Draper's office infers that France may threaten to endanger the whole NATO forces plan by insisting on reducing the German as well as the French build-up unless a "burden-sharing" budget is adopted.

Comment: The 1953 French military budget includes \$125,000,000 conditional on an increase in US aid to \$650,000,000. France had indicated earlier that the \$125,000,000 was necessary for the success of the Indochina operation.

The concept of "burden-sharing on a more equitable basis" is raised by European NATO members whenever they feel that they are being asked to exceed their capabilities. Under a "common budget" the United States would be expected to contribute the greatest share to the total NATO effort.

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13. Danes accept NATO "guidance" in examination of MIG-15:

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[REDACTED] Foreign Minister Kraft states that Danish technicians will be "instructed and assisted" by SHAPE experts in examining the MIG-15 which landed on Bornholm, but that non-Danish personnel will not be permitted to go to the island.

The American Embassy in Copenhagen considers that this arrangement will satisfy Western intelligence requirements and offers the best solution for Denmark.

Kraft believes that the plane must be returned to Poland, but not for some time. Denmark has already refused a Polish request for its immediate return.

LATIN AMERICA

14. American copper companies face new difficulties in Chile:

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[REDACTED] The American-owned copper companies in Chile have informed the Chilean Government that they refuse to accept the official price, set arbitrarily at 24.5 cents per pound, for their output. The companies are, however, continuing temporarily to deliver copper.

Comment: The US price of copper now fluctuates around 30 cents per pound. The Chilean Government on 5 February authorized the Central Bank, which has controlled sales of all Chilean copper since last May, to set the price paid to all copper producers. According to the American Embassy in Santiago, this legislation makes copper sales a permanent government monopoly, and the practical effects of nationalization may be achieved by simple administrative action.

The American-owned companies produce over 90 percent of Chile's copper output. In 1952 Chile supplied 58 percent of all United States copper imports.